

VZCZCXRO8085  
OO RUEHFK RUEHGH RUEHKSO  
DE RUEHKO #0612 0670841  
ZNY CCCCC ZZH  
O 070841Z MAR 08  
FM AMEMBASSY TOKYO  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 2336  
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 2100  
RUEHRL/AMEMBASSY BERLIN PRIORITY 1347  
RUEHFR/AMEMBASSY PARIS PRIORITY 6009  
RUEHUL/AMEMBASSY SEOUL PRIORITY 8155  
RUEHFT/AMCONSUL FRANKFURT PRIORITY 0468  
RUEHFK/AMCONSUL FUKUOKA PRIORITY 6537  
RUEHOK/AMCONSUL OSAKA KOBE PRIORITY 0205  
RUEHKSO/AMCONSUL SAPPORO PRIORITY 7140  
RUEHGH/AMCONSUL SHANGHAI PRIORITY 0351  
RUEHIN/AIT TAIPEI PRIORITY 6927  
RHEHAAA/NSC WASHDC PRIORITY  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY  
RUEHBS/USEU BRUSSELS PRIORITY  
RUEAWJA/JUSTICE DEPT WASHDC PRIORITY  
RUEATRS/TREASURY DEPT WASHDC PRIORITY  
RUEHGV/USMISSION GENEVA PRIORITY 3263

C O N F I D E N T I A L TOKYO 000612

SIPDIS

SIPDIS

DEPT FOR EAP: HASLACH  
DEPT FOR EEB: DIBBLE, BYERLY, AND KAMBARA  
NSC FOR TONG  
DEPT PASS USTR FOR CUTLER AND BEEMAN  
USDOC FOR 4410/ITA/MAC/OJ/NMELCHER  
JUSTICE FOR ANTITRUST DIVISION - CHEMTOB  
TREASURY DEPT FOR IA/CARNES AND POGGI  
GENEVA FOR USTR

E.O. 12958: DECL: 03/07/2013

TAGS: [EINV](#) [ECON](#) [OECD](#) [JA](#)

SUBJECT: ACCJ ADVISES TARGETED APPROACH ON INVESTMENT

REF: TOKYO 408

Classified By: Ambassador J. Thomas Schieffer. Reason 1.4 (b)(d)

11. (C) Summary: American Chamber of Commerce in Japan (ACCJ) President Allen Smith urged the Embassy and the USG to move carefully in lobbying Japan on investment issues at this politically sensitive time. "Rather than a strategy of 'gaiatsu', this was the time for 'shiatsu'", he advised. U.S. government and business leaders should seek out opportunities to ally with pro-reform elements in Japan to push common agendas. The ACCJ will raise the issue of Japan's investment climate with Washington interlocutors during its "DC Doorknock" scheduled for mid-April. End Summary

12. (C) ACCJ President Allen Smith, who is also General Counsel of AIG Japan, in a March 7 conversation with EMIN agreed the current political situation in Japan has resulted in a lack of leadership on reform issues. Concern among voters about the negative impact of past reforms has reinforced the cautiousness of political leaders, but this was difficult to counteract through diplomatic or business lobbying.

13. (C) In the current climate, a strategy of "gaiatsu" (foreign pressure) was unlikely to be effective and, in fact, could be counterproductive. A confrontational strategy that focused on emotional issues would likely trigger a defensive response and only slow down progress.

14. (C) A more effective strategy, in Smith's view, would be "shiatsu", the name of a popular massage technique that promotes better health through targeted application of force on a body's key pressure points. There are Japanese opinion

makers who continue to promote reform and U.S. government and business leaders should look for ways to ally with them to advance similar interests. Among recent positive developments Smith identified were the defeat of the MLIT-proposed restrictions on foreign investment in Japan's airport operators and the appointment of a Cabinet Office Investment Experts Group, of which Smith is a member.

15. (C) A "shiatsu" investment strategy would focus on technical issues where changes can have a real impact on liberalization of Japan's M&A market. Examples of such issues that are important to ACCJ members are the ability to conduct tax-free acquisitions and corporate restructurings, improvements to corporate governance, such as requiring a Japanese-listed company to have a minimum number of independent directors on its board, and the ability for firms to conduct M&A in Japan without an existing Japanese subsidiary.

16. (C) Smith noted that the new Investment Experts Group would address all these issues in its current discussions. He offered to facilitate introduction of USG views into the group's deliberations

17. (C) Comment: We have heard similar warnings against a "gaistsu" strategy in recent meetings with Diet members. In the weeks ahead, we will seek to identify key reform leaders with which we can work to advance a practical, pro-reform agenda.  
SCHIEFFER